

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA

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E.O. 11652: N/A

TAGS: BDIS, ID

SUBJECT: ESSENTIAL OIL SWINDLE

1. NEW YORK TIMES SEP 23 CARRIES STORY ABOUT 2 MILLION DOLS SWINDLE IN ESSENTIAL OIL SHIPMENTS FROM INDONESIA TO VARIOUS IMPORTERS IN US AND EUROPE, ALL MADE BY ONE EXPORTER - C.V.P.D. FARMAPORT. ABOUT 2,000 BARRELS OF "MUDDY TROPICAL WATER" WERE RECEIVED BY CONSIGNEES AROUND WORLD INSTEAD OF PATCHOULI, NUTMEG, CANANGA, CLOVELEAF, VERTIVERT, AND CITRONELLA OILS WHICH THEY HAD ORDERED AND PAID FOR. U.S. IMPORTERS (NINE IN NEW YORK ALONE) ARE ESTIMATED TO HAVE LOST ALMOST 600,000 DOLS. ESSENTIAL OIL ASSOCIATION IN NEW YORK IS STILL UNCERTAIN WHETHER FRAUD OR THEFT WAS INVOLVED. (DISTINCTION HAS PRACTICAL SIGNIFICANCE, SINCE INSURANCE COMPANIES WILL COMPENSATE FOR THEFT BUT NOT FOR FRAUD). SCALE OF SWINDLE IS BIGGEST IN 40-YEAR MEMORY OF ONE NEW YORK IMPORTER. ALL INVOLVED

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HOLD GOI PARTLY RESPONSIBLE, SINCE OFFICIAL DOCUMENTS

CERTIFYING TO PROPER CONTENTS OF ALL BARRELS WERE ISSUED
(BY CUSTOMS AND "BOGOR LABS").

2. DESK OFFICER HAS TALKED WITH STEPHEN R. MANHEIMER
OF J. MANHEIMER, INC, NEW YORK, ONE OF IMPORTERS AFFECTED.
HE SAID HIS AUG 25 TELEGRAM TO MINISTER RADIUS PRAWIRO HAS

GONE UNANSWERED. HIS REPRESENTATION TO AMBASSADOR RUSMIN
IN NEW YORK HAS PRODUCED NO RESPONSE. HE HAD BEEN ADVISED
EARLIER TO INFORM EMBASSY OF HIS PROBLEM, WHICH HE SAID
HE HAD DONE, BUT HE APPARENTLY HAS NOT YET RECEIVED AN
ANSWER.

3. MANHEIMER SAID ESSENTIAL OIL ASSOCIATION IS WORKING
TO GET BACKING FROM SPICE AND RUBBER IMPORTERS, SINCE
THESE TWO GROUPS ALSO DEPEND HEAVILY ON GOI CERTIFICATION
OF EXPORTS. APPARENTLY IDEA WOULD BE TO PRESENT GOI WITH
TRIPARTITE PETITION, HIGHLIGHTING ADVERSE EFFECT ON NEW
INDONESIAN DRIVE TO PROMOTE TRADITIONAL EXPORTS IF GOI
NEGLECTS TO PUNISH THOSE INVOLVED IN SWINDLE AND TO MAKE
RESTITUTION TO FOREIGN CONSIGNEES.

4. ALL 2,000 BARRELS WERE REPORTEDLY EXPORTED BY ONE
FIRM IN ONE TWO-WEEK PERIOD IN MAY AND JUNE, ACCORDING TO
MANHEIMER. OWNER OF C.V.P.D. FARMAPORT, MR. NICO
WAWORUNTO, IS SAID TO BE UNDER HOUSE ARREST. HE HAS
OFFERED FOREIGN CONSIGNEES SETTLEMENT OF THREE CENTS ON
DOLLAR, WHICH THEY HAVE REJECTED. WAWORUNTO CLAIMS HE
WAS CHEATED BY A "THIRD PARTY". MANHEIMER BELIEVES
THERE ARE SUGGESTIONS OF CUSTOMS INVOLVEMENT. GOOD SHIP-
MENTS OF ESSENTIAL OILS HAVE SUBSEQUENTLY BEEN RECEIVED
FROM OTHER INDONESIAN EXPORTERS.

5. FOREIGN IMPORTERS DO NOT HAVE MUCH LEVERAGE. INDO-
NESIA, ACCORDING TO MANHEIMER, ACCOUNTS FOR ALL OF WORLD
SUPPLY OF CANANGA OIL, 90-95 PERCENT OF NUTMEG OIL, 90
PERCENT OF PATCHOULI OIL, AND 60 PERCENT OF CLOVELEAF OIL.
IT SUPPLIES ONLY 40 PERCENT OF CITRONELLA OIL AND 30 PER-
CENT OF VERTIVERT OIL. SYNTHETIC SUBSTITUTES ARE SEEMINGLY
UNAVAILABLE.

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6. EMBASSY IS REQUESTED TO ASCERTAIN IF MINISTER RADIUS
HAS RECEIVED MANHEIMER'S AUG 25 CABLE AND WHAT ACTION, IF
ANY, GOI IS PLANNING TO TAKE. (ACCORDING TO TIMES ARTICLE,
GOI EMBASSY HERE HAD ALERTED JAKARTA TO DESIRABILITY OF
INDUCING EXPORTER TO REACH "AMICABLE SETTLEMENT WITHIN ONE
MONTH" WITH U.S. IMPORTERS.) IN ADDITION, EMBASSY IS RE-
QUESTED TO MAKE INQUIRIES AMONG DIPLOMATIC COLLEAGUES

(ONE BRITISH IMPORTER - FUERST, DAY, LAWSON AND COMPANY -
IS SAID TO HAVE LOST 500,000 DOLS) AND IN THE TRADE TO
DETERMINE HOW SWINDLE CAME ABOUT AND WHAT GOI IS DOING TO
RECTIFY SITUATION. KISSINGER

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